

12m Results 2019
Opinion ⁽¹⁾: In line.

Impact ⁽¹⁾: We will maintain our estimates.

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Business description

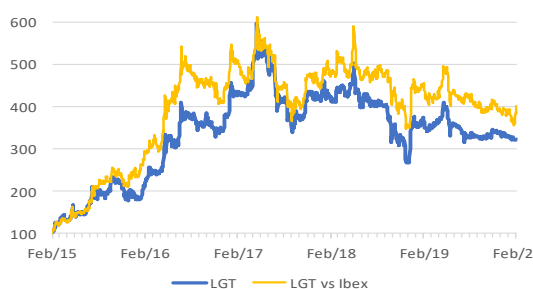
Lingotes Especiales (LGT) is a small Spanish industrial company specialising in the design, development, casting and machining of steel components, mainly for use in the automotive industry, where it is a market leader in braking systems (85% sales) with a 12% market share in Europe.

Market Data

Market Cap (Mn EUR and USD)	133.0	146.3
EV (Mn EUR and USD) ⁽²⁾	149.5	164.4
Shares Outstanding (Mn)	10.0	
-12m (Max/Med/Min EUR)	16.95 / 14.15 / 13.05	
Daily Avg volume (-12m Mn)	0.12	
Rotation ⁽³⁾	22.5	
Thomson Reuters / Bloomberg	LGT.MC / LGT SM	
Close fiscal year	31-Dec	

Shareholders Structure (%)

Board of Directors	55.0
Mallorquina de Seguros	6.0
Free Float	39.0

Relative performance -5y (Base 100)

Stock performance

(%)	-1m	-3m	-12m	-5Y
Absolute	-2.2	-6.3	-14.0	223.4
vs Ibex 35	1.9	-2.4	-11.8	302.3
vs Ibex Small Cap Index	3.0	-4.1	-11.4	162.4
vs Eurostoxx 50	4.1	0.6	-18.3	236.8
vs Sector benchmark ⁽⁴⁾	6.3	15.2	0.6	374.4

(1) The opinion about results is in respect of reported EBITDA and its relation to our estimate for the year (12m). The impact reflects whether, as a consequence of these results, we envisage a significant (>5%) upgrade or downgrade to our EBITDA estimates (for any of the estimated years).

(2) Please refer to Appendix 2.

(3) Rotation represents the % of the capitalisation traded - 12m.

(4) vs Eurostoxx 600 Automobiles & Parts.

(*) Unless otherwise indicated, all the information contained in this report is based on: The Company, Thomson Reuters and Lighthouse

2019: A difficult but not terrible year. Results in line

The main figures for 2019 are: Revenues EUR 114.9Mn (-0.6%), EBITDA EUR 16.8Mn (-7.5%) and Net Profit EUR 8.7Mn (-5.1%). As regards the balance sheet, the financial structure remains solid (ND/EBITDA 2019: 0.9x). We highlight:

NO SURPRISES IN RESPECT OF REVENUES (EUR 114.9Mn; -0.6%): which are in line with those obtained in 2018 (and our estimates for 2019) and that show a certain stabilisation in 4Q19 (revenues +11% vs 4Q18; helped by more favourable comps) vs those obtained in 1H19 as a result of sector turbulence (-5.6% vs 1H18).

ALTHOUGH EBITDA SUFFERED FROM THE SECTOR BACKDROP: at EUR 16.8Mn (-7.5% vs 2018; in line with estimates), mainly due to a less profitable parts mix which led to a small reduction in the gross margin (-0.2p.p. vs 2018) and that was fully translated to EBITDA (impact of EUR 1.6Mn), not being offset by a reduction of other operating costs due to the increase in electricity prices.

BUT THE FALL IN CAPEX ENABLED FCF TO RECOVER, this rebounding to EUR 8.5Mn (vs EUR 0.7Mn 2018) as a result of the conclusion of the demanding investment plan with which LGT has improved its castings and machining lines in the last 3 years (CAPEX/sales 2019 6.5% vs average of 12% -3y). FCF yield 2019 6.4%.

THE BALANCE SHEET CONTINUES TO SHOW UNDENIABLE STRENGTH (ND/EBITDA 0.9X) with net debt of EUR 15.2Mn, down 10% vs 2018 thanks to the increase in cash generation. In these circumstances, LGT is well protected against an adverse cycle.

IN CONCLUSION, “a difficult but not terrible year”. We maintain our estimates unchanged, but with uncertainty: results are fully in line, but 2020 looks set to be a mixed year (sector challenges persist and we should not lose sight of the uncertainty regarding the macro scenario). We expect 2020e to be very similar to 2019 (revenues: c. +0.5% and EBITDA: c. +5%).

EUR Mn	12m19 Real	12m18	12m19 Real vs 12m18	12m19 Real 2019e	12m19 Real vs 2019e
Total Revenues	114.9	115.6	-0.6%	113.3	1.5%
Recurrent EBITDA	16.8	18.2	-7.5%	17.3	-2.8%
<i>Rec. EBITDA/Revenues</i>	<i>14.6%</i>	<i>15.8%</i>	<i>-1.1 p.p.</i>	<i>15.3%</i>	<i>-0.6 p.p.</i>
EBITDA	16.8	18.2	-7.5%	17.3	-2.8%
<i>EBITDA/Revenues</i>	<i>14.6%</i>	<i>15.8%</i>	<i>-1.1 p.p.</i>	<i>15.3%</i>	<i>-0.6 p.p.</i>
EBIT	11.7	12.8	-8.7%	11.6	0.9%
PBT	11.4	12.2	-6.4%	11.0	4.2%
NP	8.7	9.2	-5.1%	8.2	6.1%
Ordinary NP	8.7	9.2	-5.1%	8.2	6.1%
Rec. FCF	8.5	0.7	n.a.	9.7	-12.3%
<i>Rec. FCF Yield</i>	<i>6.4%</i>	<i>0.5%</i>	<i>5.9 p.p.</i>	<i>7.3%</i>	<i>-0.9 p.p.</i>
Net Debt	15.2	17.0	-10%	14.3	6.9%
ND / EBITDA	0.9x	0.9x	0.0x	0.8x	0.1x

Appendix 1. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	133.0	
+ Minority Interests	-	12m Results
+ Provisions & Other L/T Liabilities	1.6	12m Results
+ Net financial debt	15.2	12m Results
- Financial Investments	0.4	12m Results
+/- Others	-	12m Results
Enterprise Value (EV)	149.5	

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Recommendation History

Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
28-Feb-2020	n.a.	13.30	n.a.	n.a.	12m Results 2019	David López Sánchez
28-Oct-2019	n.a.	13.45	n.a.	n.a.	9m Results 2019	David López Sánchez
22-Jul-2019	n.a.	14.35	n.a.	n.a.	6m Results 2019	David López Sánchez
13-May-2019	n.a.	15.45	n.a.	n.a.	3m Results 2019	David López Sánchez
01-Mar-2019	n.a.	15.00	n.a.	n.a.	12m Results 2018	David López Sánchez
22-Nov-2018	n.a.	12.68	n.a.	n.a.	Initial Coverage	David López Sánchez